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**A PUBLICATION OF THE NEW JERSEY DIVISION OF PENSIONS AND BENEFITS**


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# Cost-of-Living Adjustments

Public Employees' Retirement System • Teachers' Pension and Annuity Fund  
 Police and Firemen's Retirement System • State Police Retirement System  
 Consolidated Police and Firemen's Pension Fund • Prison Officers' Pension Fund

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The Pension Adjustment Program provides a cost-of-living adjustment (or COLA) to you and your eligible survivors if you are receiving a monthly retirement allowance from one of the state-administered retirement systems listed above. Your first COLA is paid in your pension allowance the 25<sup>th</sup> month after your date of retirement. Subsequent cost-of-living adjustments are computed annually and the adjustment is reflected in the February 1<sup>st</sup> check (which is payment for the month of January). If your spouse or beneficiary is entitled to receive a monthly pension upon your death, the COLA will be applied to that benefit based upon your year of retirement.

The Division of Pensions and Benefits uses the Consumer Price Index (CPI) for Urban Wage Earners and Clerical Workers (CPI-W), U.S. City Average, All Items, 1982-84=100. Your rate of increase is equal to 60 percent of the percentage of change between the average CPI for the calendar year in which you retired and the average CPI for the 12 month period ending August 31<sup>st</sup> immediately preceding the year when the adjustment is payable.

**Example: To calculate the COLA due February 1, 2006**

A member retired in 2000 with a monthly retirement allowance of \$1,278.35\*. The average CPI for the twelve months ending December 31, 2000 was 168.9. The average CPI for the twelve months ending August 31, 2005 was 188.4.

*\*If the member chose Option 1, the COLA would be calculated on the Maximum Option.*

- To calculate the change in the CPI, subtract 168.9 from 188.4.

$$188.4 - 168.9 = 19.5$$

- To calculate the percentage change in the CPI between the retirement year 2000 and the 12 months ending August 31, 2005, divide 19.5 by 168.9. The result is 11.55%.

$$19.5 \div 168.9 = 11.55\%$$

- The cost-of-living adjustment rate for February 1, 2006 equals 60% of 11.55%, or 6.927%.

$$60\% \times 11.545\% = 6.927\%$$

- Therefore, the cost-of-living adjustment for this member is 6.927% of \$1,278.35, or \$88.55

$$\$1,278.35 \times 6.927\% = \$88.55$$

- The total monthly benefit equals \$1,366.90

$$\$1,278.35 + \$88.55 = \$1,366.90$$

Your current cost-of-living adjustment amount can be found under the "Current Earnings" section on your February retirement benefit check stub.

You can also verify your current allowance and deduction information at any time by calling our Automated Information System, (609) 777-1777. When calling, you will be asked to enter your Social Security number. Then by pressing 3 after the first prompt — indicating that you are requesting retirement information — and 3 again at the second prompt, you can hear the check information in the order as it would appear on your check stub.

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